

Ecosystem Restoration Subcommittee Meeting
June 17, 2004
650 Capitol Mall, 5th Floor, Delta Room
Sacramento, CA
Meeting Summary

Subcommittee members (or their alternates) and agency liaisons present:

Gary Bobker (TBI)
Diana Jacobs (DFG)
Doug Lovell (FFF)
Becky Sheehan (CFBF)
Frank Wernette (DFG)

Bernice Sullivan (Friant WUA)
Carissa Dunne (MWD)
Margrit Aramburu (DPC)
Darrin Thome (USFWS)
Todd Manley (NCWA)

Action Items

1. Subcommittee members interested in developing recommendations on the draft Finance Options Report and Ten-Year Finance Plan should email Gary right away, who will schedule a conference call or meeting. If the group generates comments, they will forward them to the Finance Options Report team as the opinions of the subgroup, rather than an official statement of the Ecosystem Restoration subcommittee.
2. All present are asked to inspect the Milestones Assessment document after it is made available July 9 to try to identify projects related to ERP milestones that are not mentioned in the report. Feedback must be within 30 days of posting.
3. Gary Bobker will place discussion with Kate Hansel or representative of the Ten-Year Finance Plan on the agenda for the next several meetings.
4. Gary will place discussion on a meeting agenda soon of (1) CVPIA/ERP coordination and (2) how the Ecosystem Restoration Subcommittee could improve its coordination with the CVPIA round-table.

Handouts and Presentations

- Meeting Summary, Ecosystem Restoration Subcommittee Meeting, Thursday, May 20, 2004.
- Draft Finance Options Report, Ecosystem Restoration Program. pp. 212-243.
- Finance Options Report & Ten Year Finance Plan (presentation).

- CALFED Bay-Delta Program 10 Year Funding Targets and Unmet Needs (May 21, 2004).
- Ecosystem Restoration Program 10 Year Funding Targets and Unmet Needs (May 21, 2004)
- CALFED Environmental Water Account (EWA) (presentation).
- Evaluating Milestones Progress.
- Battle Creek Salmon and Steelhead Restoration Project: Key Schedule Items Update.
- May 2004 Battle Creek Salmon and Steelhead Restoration Project Budget Request Summary.
- Battle Creek Salmon and Steelhead Restoration Project Update.
- Priorities and Project Selection Processes and Criteria for the Ecosystem Restoration Program's 2004/2005 Grants to Monitor and Evaluate Previously Funded Restoration Actions.

I. Welcome and Introductions

The meeting began with introductions.

The order of topics in the agenda was changed after approval by those present. *Draft Finance Options Report and Ten-Year Finance Package* (topic V on the published agenda) was moved to the beginning of the meeting. *Environmental Water Account Update* (topic VII on the published agenda) was moved to the second topic.

II. Subcommittee Status

The summary of the May 20, 2004 meeting was reviewed and approved.

V. Finance (Kate Hansel)

Draft Finance Options Report

Kate Hansel introduced Dave Mitchell and Richard McCann economics consultants, who would lead the in-depth discussion of the Draft Finance Options Report later in the meeting.

Kate reviewed earlier actions on the Finance Options Report. About a year ago, think-ahead exercises specifically for this draft document began, developing a 25-year plan for financing the CALFED program. This document considers

- cost estimates for each program element
- benefits of that program
- beneficiaries of that program

This foundation document is very broad.

The Draft Finance Options Report has been distributed with requests for comments. All subcommittees are asked to comment. Gary Bobker said that the Ecosystem Restoration subcommittee would discuss whether comments would be from individuals or from the group as a whole. Kate said that she will “walk” the subcommittee through the report at a future time to make sure that all questions are addressed.

Kate Hansel reported on Thursday, June 17, at 1:30:

“The schedule for finalizing the Finance Options Report changed today. Instead of an August final date, we will finalize the Options Report on the same schedule as the 10 year plan--at the October 14th BDA meeting.

“So please tell your subcommittees etc. about this change and that while comments on the Options Report would be appreciated by the end of July -- final comments will not be due until early Sept. at this point.”

She announced that the draft will be submitted to the Bay-Delta Authority at its meeting August 12, and that the deadline for comments is July 15. (*However, note the changed dates in the call-out box.*)

Draft Ten-Year Plan Overview

Kate then discussed the ten-year finance plan. The ten-year plan takes into account costs and benefits as estimated in the Draft Options Report; explores considerations about how to allocate both benefits and costs among federal, state, local, and other water user groups; and initiates a discussion of how to cover costs. Covering costs is a significant question. CBDA is currently funded, but bond monies will be running out.

Development of this plan is an open process. The development team will work with all CBDA subcommittees (monthly at their meetings), water user groups, and stakeholders through fall 2004. She requested that this topic be placed on each Ecosystem Restoration Subcommittee agenda for the next several months (see Action Item 3 above). The plan developers need information on ERP needs so that they can estimate cost on an annual basis. The ten-year finance plan will be finalized in November or possibly December of 2004, after being presented to the Authority at their October meeting.

The team hopes to have an initial cost estimate by mid-July. This estimate will help inform the decision about how much of the budget will come from fees.

She distributed two handouts which show met and unmet needs and funding sources:

- CALFED Bay-Delta Program 10 Year Funding Targets and Unmet Needs (May 21, 2004)
- Ecosystem Restoration Program 10 Year Funding Targets and Unmet Needs (May 21, 2004)

The estimated yearly cost for the ERP is \$150 million in 2002 dollars. She wants input in the next two weeks (by July 2 or 3) whether this estimate is about right, and comments about funding sources. She asked subcommittee members to send their comments to Nancy Ullrey or Dan Castleberry, who would compile and forward. The feedback will be used for the next round of cost estimates.

Comments about the handouts:

- Overall amounts are more important than how the amounts are spread across years.
- Dan Castleberry noted that some actions might not use the same amount each year.
- Gary Bobker noted that some funds from bonds can be used only on certain types of activities, so there are constraints on how much the amounts could be juggled.

User Fees

Kate noted that ever since the ROD was written, a water fee administrated by the State to supplement CVP funding has been anticipated, to partly fund the ERP. A legislative amendment to the water code can be anticipated, although there is a debate among policy makers as to how strong the language should be (“may” or “shall” develop regulations for a water user fee). This will be reported on at the July 8 BDPAC meeting.

Diana Jacobs asked how the timing of the ten-year plan and the length of potential user fees relate. Kate said that there is no assumption that any funding must track any other funding.

Bernice Sullivan asked what bond funds are currently available and how long into the future they reach. The discussion did not respond to this question. Doug Lovell asked whether the ten-year plan attempts to fill unmet needs first. Kate said that there will be an effort to re-think original targets; prioritization will be an iterative process.

Discussion

Gary asked why, on the ten-year chart, the CVPIA Restoration Funds were listed as \$35 million annually. Kate responded that this amount will have to be re-

negotiated. Diana noted that \$15 million is the current amount of CVPIA Restoration Funds described as contributing to the CALFED ERP in the ROD. Darrin Thome noted that this money is integrated for ERP use because the goals are similar. Gary expressed reservations that increasing the amount of CVPIA Restoration Funds contributing to the CALFED ERP does not reflect the intent of the CALFED ROD to develop a new user fee to support ERP activities. Bernice Sullivan expressed concern that the CVPIA contributions be better recognized in the future; both Kate and Dan C. agreed. Tim noted that the Federal and State agencies have not agreed to this increased amount of CVPIA Restoration Fund in the 10-year Finance Plan, but that the number was intended to begin a dialogue among the agencies and the stakeholders regarding the relationship between existing programs and a potential new user fee as described in the CALFED ROD. The increase from the existing \$15 million to \$35 million reflects the need for greater coordination between the ERP and the CVPIA, and recognizes the existing contribution to ERP goals from Federal water contractors.

Becky Sheehan asked whether there are goals in the CVPIA that are not CALFED goals. Tim answered that the Trinity River is an example. Becky said she thinks the ERP and CVPIA should discuss where their goals overlap and which goals they think are not being met. In particular, ERP should avoid duplicating efforts of other groups.

Presentation on Finance Options Report (Dave Mitchell and Rich McCann)

The presentation is available on the Internet.

CBDA is doing this report for several reasons, among them:

- The program is not likely to continue to rely on state funds.
- There is a budget requirement to develop a user fee.
- ROD contains the principle that beneficiaries should help support the program.

The objectives of the report are to

- build an understanding of program costs and benefits,
- provide reasonable and instructive finance options
- provide tools to assist decision-maker and stakeholders.

The drafting of the report has involved a technical team (consultants and CBDA staff), an ad hoc work group (stakeholders, legislative representatives, agency members), and an independent review panel (academicians and practitioners).

See presentation for further details. Gary asked for details pertinent to the ERP.

Rich McCann reported that working in this area is interesting because non-market asset allocation and valuation are involved. They converted program goals into quantifiable targets to evaluate benefits to each beneficiary group. The quantified targets are intended to represent the means of achieving the six ERP goals stated in the ROD.

The Draft Finance Options Report recognizes several degrees of intervention, including protect, enhance, and restore. It does not insist on any particular interpretation of law but rather tries to characterize the benefits generated the program in terms of specific outcomes (increase in acreage or reliability, for instance). Overlaying this is the question of whether potential beneficiaries have a “right” to the improvement or whether they have to pay for it. The consultants did not take a position on this question, but instead presented different alternative views. It is a political and social issue that is not up to them to decide.

The economics team started with a database of 80 projects, along with costs and accomplishments, for the study time period. They came up with an estimated average cost per acre of restored habitat and applied it to quantified targets. Assuming that future costs are similar to past costs, the estimate cost of the ERP would be \$190-\$290 million yearly. Assuming a budget of \$150 million per year, the timelines of the targets would have to be lengthened. However, a more refined analysis might show that these targets can be achieved on time with the \$150 million annual budget. (The rate of grant matching in the past has been 15%; the team assumed 10% for the future.)

The consulting team developed three models of potential cost allocation:

- Public emphasis. Studies show that the public willing to invest considerably into restoration, and that money could fund the ERP. Potential sources could be bonds or the General Fund.
- Proportional benefits based. Public benefits would be balanced against water users’ avoided costs.
- Water user emphasis. Water users would pay up to the avoided costs; public would bear the remainder.

In any of these options, the public contribution would fall between 45% and 90% of the total cost. The Restoration Fund contribution is shown at \$15 million.

Pages 231-238 of the Draft Finance Options Report show incremental benefits to water users and how they relate to strategic goals. Page 236 shows cost allocation examples of \$240 million and \$150 million, demonstrating the relative share of taxpayer and various resource users.

Doug asked whether stakeholders provided information for this report about valuation of benefit. There was no definitive answer. Recreational and commercial fishing could incur a new user fee under one of the examples.

Because the ERP, EWA, and Watersheds programs jointly produce a range of ecosystem, water supply, and water quality benefits, assessing costs and benefits with respect to each program is complex. There needs to be more formal joint recognition and coordination among these three programs.

Gary raised the concern whether the report underestimates the ERP cost because its financial contribution to natural flow regimes and hydrologic improvements may not be included in the cost assessments.

Richard commented that the report refers mostly to competitive grants because information on directed actions was difficult to access. (There was surprise expressed among those present.)

Gary noted that there will be disagreements about user fees. He suggested, and Doug agreed, that the subcommittee might appoint a subset of its membership to consider how to handle funding obligations. Those interested should email Gary and he will schedule a conference call or meeting. If the meeting generates any recommendations by July 15, they will forward them to the document team as their opinions, rather than an official statement of the Ecosystem Restoration subcommittee.

VII. Environmental Water Account Update (Roger Guinee, Jim White, Victoria Poage)

The presentation is available on the Internet.

The EWA is part of the CALFED program, and exists to “provide protection to the fish of the Bay-Delta estuary through environmentally beneficial changes in the operations of the SWP and CVP, at no uncompensated water cost to the projects’ water users.” EWA addresses both fisheries protection and recovery. Roger reported on EWA activities with Delta smelt and salmonids, in conjunction with other groups, including CALFED Operations Group, b(2) Interagency Team, Water Operations Management Team, and Operations and Fisheries Forum.

Planning for water acquisition and release is coordinated with management of b(2) water through b(2)IT. The 12-month forecast done by SWP/CVP operations takes into account potential EWA and b(2) use. Project agencies, through monthly status reports, allow the forecast to be updated monthly.

EWA actions have had a positive effect on delta smelt and salmonids. There has been reduced entrainment of pre-spawning adult and young-of-the-year (YOY) delta smelt, sharp reduction in take of delta smelt, reduced entrainment of salmonids, and improved survival of juvenile salmonids. Upstream flow and instream habitat were improved on several rivers (see presentation) and temperature management for salmonids on the American River was improved. The EWA/CESA commitment was fulfilled and water supply was not affected by fish protection.

Because hydrology is highly variable, needs and actions vary from year to year. EWA is preferable to fixed prescriptive requirements. EWA benefits have been quantified to the extent feasible, using several different methods. However, the economic implications of improved water supply reliability have not been evaluated or described. Most actions affect more than one target species.

Discussion

Doug asked whether EWA uses population-level models to manage the EWA, or whether it would be beneficial for decision making. Roger responded that currently, survey information is taken into account, and that modeling may play a larger role in the future as more useful models are developed.

Gary noted that EWA seems to be more effective with delta smelt than with salmonids, at least partly because the baseline requirements of delta smelt are more consistent with existing conditions. Diana noted that the agencies have an affirmative duty to minimize take; the agencies will continue to use the EWA for this purpose.

Attendees discussed whether EWA is successful not just with protection but also with recovery. It is very difficult, perhaps impossible, to tease apart individual effects of EWA, ERP, Watersheds actions. Gary said that while this is true, it seems that EWA should also have criteria for deciding how great an improvement for fish EWA has effected. Diana noted that because take has decreased, protection must have increased—but by how much? Gary suggested that EWA do a comparison of the fish protection measures implemented before the EWA was created and those taken using EWA since the 2000 ROD.

Gary asked for an EWA representative to give future updates to the Ecosystem Restoration Subcommittee. Roger invited a representative of the subcommittee to attend EWA workshops. Workshops are held annually on salmonids and delta smelt. The 2003 delta smelt workshop focused exclusively on population modeling.

IV. Reinitiation of Consultation Milestones Assessment Update (Darrin Thome)

The ROD specifies that CALFED programs must evaluate their progress toward meeting the 119 milestones listed in the ROD. This summer the consultation will be reinitiated, and it is anticipated that this fall a new biological opinion will be issued.

In the past, people have expressed concern that if non-CALFED programs achieved ERP milestones, this might not be counted in this Milestones Assessment. The team has catalogued as many projects and actions as they could, but believe this may not be exhaustive. On July 9, their document will be available on the web and will be sent to the ERP mailing list. He asked everyone to inspect the document and let them know if there are projects related to ERP

milestones that are not mentioned in the Milestones Assessment report. Feedback will have to be returned within 30 days of posting. They will collate comments and forward them by August 13 to regulatory branches of NOAA Fisheries, USFWS, and DFG for consideration during the consultation.

Diana noted that the report in August would be a briefing. In September, the conclusions will be presented.

III. Draft Monitoring Proposal Solicitation Package recommendations (Dan Ray and Dan Castleberry)

ERP asked for the subcommittee's recommendation that the Monitoring PSP be accepted. They plan to take it to the Advisory committee in July and to the Authority at their August meeting.

This PSP was presented to the subcommittee in May, and members were asked to submit review comments by the beginning of June. No comments were received.

Gary recommended that the subcommittee support the Monitoring PSP. He hopes that it successfully encourages strong integration and coordination across entities that propose and carry out projects. He'd like for the ranking procedure to favor projects that include multiple entities and multiple funding sources. There was general agreement among those present.

Gary proposed that the subcommittee recommend that the Authority recommend the monitoring PSP. This was approved.

An audience member stated that monitoring cross-program interactions is extremely difficult. Diana agreed that a PSP is not sufficient to address this concern. Gary responded that monitoring is not the only issue addressed by this PSP. Evaluation will also be addressed. Comparison between projects is only possible if they can be evaluated.

Doug asked whether this PSP were better managed by the SP or by the ERPSB. Dan C. responded that the ERPSB will focus at this level of detail. The SP works with science issues that cut across more than one program.

VI. Delta Improvements Package Update (Tim Ramirez)

As a result of public workshops on the draft document and a good discussion at the Authority meeting, there are currently five changes that will be made to the document:

1. the revised MOU will include a commitment to implement the Delta Levee Program as described in the Program Plan,

2. the language regarding compliance with the Vernalis flow standard will be updated to reflect current direction provided by the SWRCB to USBR,
3. DWR and USBR will continue to comply with SWRCB Water Right Decision 1641,
4. language regarding the Ecosystem Restoration Program will be clarified to assure that listed species will continue to be provided at an equivalent level of protection as described in the CALFED ROD,
5. a deadline for development of the salinity management plan—December 2004 will be included

Margrit Aramburu expressed concern that some of the commitments seem to be expressed as descriptions in the draft document, for instance, DRERIP. Tim responded that the MOU and Appendix contains many commitments, but also specifies particular commitments that are in addition to what is in the CALFED ROD and linked to implementation of the South Delta Improvements Program. Margrit said that it would be useful to include a chart that gives the status for various program elements: which are already funded, which are still to be funded, which are ready for environmental review.

The revised draft MOU will be on the agenda for the BDPAC July meeting and August Authority meetings.

The revised draft of the document was posted on Friday, June 18 at

http://www.calwater.ca.gov/DeltaImprovements/DIP/Draft_DIP_MOU_and_Appendix_A_revised_6-18-04.pdf.

VIII. Ecosystem Restoration Program Status (Dan Castleberry)

Battle Creek Reviews Update (Rebecca Fris, CBDA and Dave Gore, Bureau of Reclamation)

Alternatives analysis

In response to discussion that had occurred at previous Ecosystem Subcommittee meetings, two analyses were developed that looked at the biological benefits of the MOU alternative versus an 8 dam removal scenario. The agencies and the California Hydropower Reform Coalition each developed a document that was submitted for technical review. That review is now complete and is available at

<http://www.calwater.ca.gov/Programs/EcosystemRestoration/EcosystemBattleCreek.shtml>.

Steelhead Workshop

On June 14th, a follow –up workshop was held in Red Bluff regarding steelhead supplementation in Battle Creek. The USFWS distributed a steelhead supplementation plan for review and that document was discussed at the workshop. A science panel, composed of some of the original Coleman Science Panel members and a couple of additional genetists, will develop a memo within one months time that reviews the plan and makes further comment on the issue.

Restoration Project update

In May, CBDA received all information from the Bureau to review the Battle Creek Restoration Plan amendment. This involved a response to a technical report and a significantly revised Adaptive Management Plan.

The project was originally funded at \$28 million in 1999. Another \$41 million is being requested for the actual restoration.

Mainly due to some issues surrounding the analysis of impacts at Mount Lassen Trout Farm, the lead agencies have determined that portions of the NEPA/CEQA document will have to be re-circulated. The Notice of Intent will be posted July 9, and the revised portions will be distributed for comment in September. The ROD is scheduled to be complete in February 2005. The Authority will decide on funding in February or April 2005, probably April, depending on the complete of the Record of Decision for the environmental documents.

An audience member asked whether the revised EIR/EIS would consider the 8-dam removal scenario. Dave commented that the information on the 8-dam removal scenario is on the list of things to include in the revised EIR/EIS. The lead agencies were meeting to determine what would be included in the revised documents later in the week. The team has not changed its mind on the 5-dam versus 8-dam proposal. Doug asked them to include the 8-dam removal alternative in the September draft EIR/EIS. Dave said he would convey that sentiment to the lead agencies at the next meeting.

New Employee

Jay Chamberlain has been hired under an inter-jurisdictional exchange agreement. This tool is available to state agencies, and the CBDA authorizing legislation extends that opportunity to partner with non-profit organizations. He is from the Resources Legacy Fund. He will be involved with working landscapes issues and will represent the ERP at the Working Landscapes subcommittee meetings. Discussions with DFG, in coordination with existing State programs related to working landscapes and private landowners, also are happening.

X. Public Comments

There were no public comments.

Next Meetings

The next meetings for the Ecosystem Restoration Subcommittee are 9 a.m. to 1 p.m. on Thursday, July 15.

Agenda items include

- Discussion with Kate Hansel or representative of the Ten-Year Finance Plan.
- Presentation of temperature modeling on the Stanislaus River, supported by an ERP grant, led by the Stanislaus stakeholder group.
- EWA update (perhaps at a later meeting).
- Re-initiation update.
- Resolution on CVPIA and ERP coordination.
- DFG's possible involvement with Liberty Island and Prospect Island.

The next two meetings for the subcommittee are scheduled for August 19 and September 16.

Meeting adjourned, 12:25.